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NEWS

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PRESIDENT BUSH'S ENERGY POLICY ADVANCED BY USDA'S FY 2002 BIOENERGY PROGRAM SIGNUP

WASHINGTON, August 30, 2001 - The U.S. Department of Agriculture today announced that signup for the Bioenergy Program will begin on September 4, 2001, and end on September 28, 2001, for fiscal year 2002 program payments. The program stimulates industrial consumption of agricultural commodities by promoting their use in bioenergy production, a significant element of President Bush's energy development policy.

"President Bush's energy policy calls for increased production of renewable energy sources," said Agriculture Secretary Ann M. Veneman. "We are confident that the FY 2002 Bioenergy Program will spur even greater production than the expansion committed to last year."

Last year, ethanol producers committed to expanding production by 246 million gallons, and biodiesel producers by 36 million gallons. Increased bioenergy production helps strengthen the income of soybean, corn, and other producers and lessens U.S. dependence on traditional energy sources.

Under the program, USDA will make up to \$150 million in payments to commercial bioenergy (ethanol and biodiesel) producers in the United States that increase their bioenergy production from eligible commodities between October 1, 2001, and September 30, 2002. Payments will be based on bioenergy production increases from eligible commodities compared to the same time period a year earlier.

"The program boosts ethanol and biodiesel production at a time when the transportation fuel market is tight, helping keep fuel prices competitive," said USDA Chief Economist Keith Collins. "It also expands demand for corn and other grains used in ethanol production and creates new markets for oilseed crops. The program means increased net returns for ethanol and biodiesel processors, which will encourage expanded production capacity for these fuels."

To be eligible under the program, ethanol producers must produce and sell ethanol commercially and have authority from the Bureau of Alcohol Tobacco and Firearms to produce ethanol for fuel or sell denatured ethanol rendered unfit for beverage use. All fuel ethanol production is eligible, however, ethanol under 200 proof will be converted to 200

proof gallons before payment calculations are made. Biodiesel producers must produce and sell biodiesel commercially and be registered and in good standing with the Environmental Protection Agency.

Eligible commodities for FY 2002 are barley, corn, grain sorghum, oats, rice, wheat, soybeans, sunflower seed, canola, crambe, rapeseed, safflower, sesame seed, flaxseed, mustard seed, and cellulosic crops (such as switchgrass and short rotation trees) grown on farms in the United States and its territories for the purpose of and used in producing fuel grade ethanol and/or biodiesel.

Any bioenergy producer who expects to have eligible production between October 1, 2001, and September 30, 2002, must enroll in the program during the signup period. For example, a bioenergy producer with a new plant that is expected to become operational in July 2002 must enroll that plant in the program by September 28, 2001, to be eligible to receive program payments on that new production during FY 2002.

Following the signup period, USDA will announce whether the signup resulted in more funds potentially being needed than the \$150 million available. If so, USDA will determine and apply a factor to all payments during the year to keep program expenditures within \$150 million. Other than ethanol production from corn and biodiesel production from soybeans, USDA will announce for each additional eligible commodity enrolled in the program for FY 2002 the applicable gallon conversion factor that will be used and how payments will be determined.

Producers wishing to enroll in the program should obtain a Bioenergy Program Agreement, Form CCC-850, (Agreement) and instructions for completing it from either the Kansas City Commodity Office, Contract Reconciliation Division, PO Box 419205, STOP 8758, Kansas City, MO 64141-6205, Telephone 816-926-6525; or via the Internet at www.fsa.usda.gov/daco/bio_daco.htm.

Once a producer has been determined to be eligible and accepted into the program, additional instructions will be provided on how to submit quarterly applications for payments under the program. Additional terms and conditions are available in the applicable regulations.

The Final Rule implementing the Bioenergy Program was published on November 13, 2000, in the Federal Register and is codified at 7 CFR Part 1424. Interested parties may obtain additional program information from the rule or by contacting James Goff at 202-720-5396 or by e-mail at james_goff@wdc.usda.gov

In addition, an August 27 Federal Register Notice requests comments on adding additional eligible commodities to this program for FY 2002. After those comments are received and analyzed, additional eligible commodities may be added to this program for FY 2002. If additional commodities are added, a second signup solely for those additional commodities and its timing will be announced. In addition, USDA will delay announcing the payment factor until all agreements are approved.

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